DEWAN'S REPLY: Mr. Aiyan Kali, the reply I gave to the representative who preceded you will also apply to your representation.

11. Grievances of merchants under the Income tax Regulation.

MR. S. VEERIAH REDDIAR (*Member, Mercantile and Trading Classes, Alleppey*) made the following suggestions:

(1) Arrangements should be made for the translation of the Income tax Regulation and the rules under it into Malayalam and for the translations being sold at a moderate price;

(2) Government should accept the balance-sheets prepared by the merchants, provided they were supported by affidavits;

(3) A high-paid officer should be made responsible for examining the accounts in the light of affidavits and he should be directed to return the accounts and vouchers produced by merchants on the very same day on which they were produced;

(4) Arrangements should be made for income-tax officers examining the accounts of merchants in their place of business itself, provided the merchants applied for the same and also paid a reasonable fee;

(5) Rules should be passed providing for the acceptance of balance sheets certified by auditors recognised by Government.

DEWAN'S REPLY: Mr. Veeriah Reddiar, in regard to your first representation, Malayalam translations of the Income Tax Rules and Regulations already exist and you can obtain them on payment at the Government Press.

Then you suggest that Government accept without question the balance sheets prepared by the merchants and in another place you say balance sheets prepared by a duly certified auditor. I suppose by balance-sheet you mean the annual profit and loss account. I am afraid, under prevailing conditions it is necessary for the Government to obtain their information from first hand sources, that is from the account books. So, in that matter, no change such as you suggest is feasible.

Then you ask that a high paid officer is required to verify the figures. There are orders to that effect and circular instructions have been issued to all Income Tax Collectors not to trust the examination of accounts entirely to their clerks and they are also instructed to return the accounts on the very day they are received. Instructions are also given to the effect that, as far as possible, the accounts of merchants and traders should be examined at their place of business, that is they should not be required to go a long distance with their account books and so on. I think that covers all the main points of your representation.

12. Hardships suffered by the mercantile and trading classes under the Income tax Regulation and suggestions for remedying them.

MR. POTHAN PHILIPOSE (*Member, Mercantile and Trading Classes, Changanachery*) said that merchants as a rule had no grievance in principle about the realisation of income-tax from them by

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Government, but their hardships arose from the way in which the provisions of the Income Tax Regulation were applied and enforced by the income-tax officers. To mention a few specific instances, nothing was more important to a merchant than his accounts, from the point of view of his business. Even civil courts attached great weight to a merchants' accounts and treated them as conclusive evidence of their contents unless the contrary was positively proved. But in the eyes of the petty subordinates of the Income-Tax Department such accounts were absolutely untrustworthy. Nor did they reject an account after any kind of enquiry. Government should therefore issue immediate instructions to all income-tax officers to accept without question the accounts produced by merchants, it being open to them always to take criminal action against any person who wilfully produced a false account in order to defraud Government.

Secondly, income tax was assessed on gross receipts and not on net receipts. Profits were also arbitrarily estimated no allowance being made for trade losses. There was no principle or policy followed in this matter. The only remedy which the assessee had against this kind of unjust and inequitable assessment was to prefer an appeal first before the Division Assistant, then before the Dewan Peishkar, and then before the Income-tax Commissioner, all of which involved of course waste of so much of his time and money and that for no other reason than the mischief of an irresponsible subordinate of the department. And who could know what the result of the appeals would be ? If only Government made it a rule that when the first assessment was on appeal reduced by competent authority, and when such assessment was found to have been recklessly made, the subordinate concerned would be held responsible for all damages resulting therefrom to the assessee, then there would be an end to irresponsible and unjust assessments by subordinate officers.

Another grievance of the member was against the assessment of profits classed as 'miscellaneous' by income-tax officers. No merchant knew what these miscellaneous profits were and how they were estimated. This unjust practice had to be stopped at the earliest opportunity.

Another grievance was in regard to the way in which income-tax officers demanded bills and vouchers for all petty items of expenditure incurred by merchants. No one could reasonably expect vouchers and receipts for such expenses as train fare, motor fare, presents, tips etc., (some-times to the income-tax subordinates themselves). Merchants were of course bound to produce statements of all their receipts and expenditure but it was very hard to require them to support every petty item of expenditure by bills and receipts.

Yet another grievance of the member was against the practice of requiring merchants to appear with their accounts before income-tax officers miles away from their places of business. The merchants of

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Changanachery had, for example, to appear before the income-tax officer at Kottayam, 12 miles away. It was also not rare that the accounts were not examined on the very same day they were presented. Very often the examination was postponed and, as many times as it was postponed, the merchant had to leave his business and appear before the income-tax officer. All this trouble could be saved if, instead of requiring the merchants to go to the officers, the officers were required to go on circuit to the various trading centres after giving previous intimation to the merchants concerned and then to examine the accounts.

DEWAN'S REPLY: Mr. Pothan Philipose, I cannot discover that you have made out any case bearing on the question of principle affecting the Income Tax Regulation. All that you have said is in regard to the inconvenience or hardship the individual occasionally has to put up with in the ordinary course of the application of the Income Tax Regulation. In this respect I might simply touch upon one or two points. You say that vouchers have always to be produced. That is not strictly so. They have not always to turn to the accounts of large firms if these are duly audited and supported by auditor's certificate. They simply accept the certificate. It is in the case of little merchants who do not maintain proper books that the trouble arises. I do not understand what you mean when you say that trade losses are not adequately allowed for. The whole principle of income tax is that it is a variable quantity. It is based on the actual trading and income tax return of the individual, taking not figures. If a particular individual is not satisfied with the assessment made in accordance with this basis, he is always at liberty to appeal, first of all, to the Dewan Peishkar Collector, then to the Income Tax Commissioner and then, finally he has a right to place his case before the High Court. If you point out any difficulty, in principle, I shall certainly give it my serious consideration in connection with any amendment that may be necessary. But since you only dwell upon particular points of application of the Act, I would point out to you that the remedies are at your disposal, namely, appeal by the parties affected.

13. Disafforestation of lands comprised in the Alapra and Karikattur reserves in the Manimala pakuthi and of the reserve to the south of the Azhutha river.

MR. ANTONY VARGHESE (*Member, Changanachery taluk, Group I*) said that there were many people in Travancore without an inch of ground which they could call their own. About a third of the total area of the State was covered by reserved forests. After eliminating the regions assigned to the Kannan Devan Hills Produce Company and other European companies, the catchment area of the Periyar Project, the cardamom areas in the occupation of the planters from the British Indian districts, the backwaters and rivers, and all regions not fit for human habitation, there remained only about 1700 square miles of land or roughly about 25 cents of land per head

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